

MINUTES OF THE CITY COUNCIL  
CITY OF AUSTIN, TEXAS  
Special Called Council Meeting

July 26, 1978  
7:00 P.M.

Council Chambers  
301 West Second Street

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The meeting was called to order with Mayor McClellan presiding.

Roll Call:

Present: Mayor McClellan, Councilmembers Cooke, Goodman, Snell,  
Himmelblau, Mayor Pro Tem Mullen

Absent: Councilmember Trevino

Mayor McClellan called the meeting to order, noting that the meeting was designed to explain the procedures used in assessing properties for the tax rolls. The Mayor stated that the Council is committed to a very significant tax cut this year.

Mayor McClellan announced the special public presentation of the City of Austin Proposed Budget for 1978-1979 which is to be held in the Municipal Auditorium on August 8. She invited the public to attend the meeting and stated that the Council feels that it is very important that the public help the Council in determining where cuts need to be made in the budget and reducing the tax rate.

Mr. Jack Klitgaard, City of Austin Tax Assessor-Collector, was recognized by the Mayor. After presenting the staff members most directly involved in tax assessments, Mr. Klitgaard noted that he would like to get "right in" the question of updating property values.

He stated that "Constitutional and Statutory law for the State of Texas, for all taxing jurisdictions, leaves very little latitude for local political sub-divisions to enact or introduce their own requirements as far as valuation is concerned. It is controlled primarily by law and the one basic value handed down thru our judicial and legislative process is a thing called "market value"; regardless of any other values, the only value, with few minor exceptions telling about amendments to the State Constitution, that the assessor is permitted to consider in the valuation process."

Mr. Klitgaard said that "under policies adopted by previous City Councils", all personal property values are updated annually, because personal property is significantly varied. He said that is not true with real property,

as it is more or less fixed. "Operating under Council policies established in 1972, the department does update property values every two years".

Mr. Klitgaard noted the following "high points" in which the office is involved when updating values of real property:

(1) Immediately after the tax roll is completed for a year, the task begins to work on the next two-year cycle. As much information, as is possible, is gathered from the market place during a two-year time. He stated that the law requires that the value be based on that which exists, as of an assessment date. (In Texas, that date is January 1.) Primarily, the tax office is concerned about two segments from the market place in the updating process: (a) actual sales transactions - where people are buying and selling property (b) what are current construction costs? He noted the various sources for this information. Mr. Klitgaard further stated that initially there is a separation of land value and building value. For mass appraisal techniques, which must be practiced by assessment offices if they are to achieve any reasonable degree of economy in the operation of a tax office, there must be a system that incorporates all significant or practical aspects of the appraisal process, which basically, is three approaches to value: (1) the market approach, (2) income approach and (3) cost approach. He also stated that the City Charter requires separate values for land and building.

(2) After gathering all the data in the market, which is a continuing process for two years, all the information is posted to a record called the land value map.

(3) Next the office compares your property with similar areas. The land appraisers visit each parcel of land, looking for features which may or may not have an impact on the value of your property. Finally, he must approve the units of value and necessary adjustments. There are three units of value in mass appraisal techniques: (1) square foot unit of value for high density use, (2) acreage units of value and (3) front foot unit, which is used for the evaluation of residential property. The appraisers make the decision based upon the sale of property that has taken place in the area for the past few years. Mr. Klitgaard acknowledged that some value influences can be overlooked in such a process and any unusual value influences which have been overlooked can be brought to the attention of the tax office.

(4) In the improvement or building evaluations there are certain basics that are necessary for updating improvement values. (a) First, it requires a tabulation of all the market values. In the course of the past two years work, the tax office utilized some 5,000 sales that have taken place within this taxing jurisdiction as a guide to what property is worth today. (b) The office uses a comparison of sales prices. After an adjustment in price is made for land values the selling price must have deducted from it an estimate of the land value; the remainder belongs to the building evaluation. Comparison of these sale prices, after the adjustment, with our present building values will give a good indication to the assessor how much adjustment is needed in the schedules - the unit cost schedule and the evaluation guide.

(5) "I think some brief explanation is due on the use of these cost schedules, that the tax assessor and his staff is totally dependent upon a cost approach to value in the evaluation of property, and it isn't true! I think,

unfortunately, we leave this impression when we refer to units of measurement that are inherent in the cost approach - like a square foot. If your house has 1600 Square Feet in it it's worth so much a square foot. This leaves people to believe that we're using nothing but the cost approach. Actually, what we are using is something much more closely related to the market. While we use units of measurement that are familiar in the cost approach value here, these units are, for all practical purposes, determined from an analysis of the market. For example: If the building sold for \$20,000, we have it appraised for \$10,000 and we say that our unit values are 50%, or in this case, 100% too low. We need to double them to get the right value on the building; so, it really is a system then that although partially dependent on the cost approach, is basically based on a more direct approach of values called the market approach."

(6) Cost schedules and guides for additional details is another problem. The market approach doesn't answer all the problems; the Tax Department still has to rely on the cost for things which are called appointments to buildings.

(7) Depreciation schedules that were in effect thru the 1960's and early 1970's are no longer reasonable schedules to measure market value of property today. The older homes in the past few years have been valued lower in relation to their value than the newer homes being valued, which is contrary to the Constitutional requirement that taxes be uniform and equal; therefore, it is incumbent upon the tax assessor to revise those schedules that are producing erroneous results.

There are two areas in which appeals to the Board of Equalization May be effective.

(a) Values placed on your property may not exceed the market value. An administrative review of property values can be held in the tax office; if, after that review, a citizen is not satisfied he should go before the Board of Equalization.

(b) If a citizens property has been valued higher than that which is comparable, then he is being unequally treated.

(8) Ratio studies are in the process of being developed thru the Data Systems. Citizens and property owners will soon have them at their disposal. Ratio studies have been stratified for the eight real estate areas of the city; stratified by use-type of properties; stratified by quality of building; stratified by age of buildings.

Finally, Mr. Klitgaard stated that he wanted to "touch on" the Assessment Calendar - the series of events, by date, which might take place in appealing an assessment.

(a) January 1 of each year is the assessment date, as set forth by State Law.

(b) January 1 to April 1 is the rendition period, as set forth by State Law and City Ordinance.

(c) Appeals to the Board of Equalization must be filed by August 7. City Ordinance requires that you file your desire to appeal to the board by that date. Your appeal can be scheduled at your convenience, between July 26 to September 27.

(d) Your desire to appeal to the City Council the decision of the Board of Equalization must be filed prior to the time the City Council adopts the tax roll, as set forth by City Charter and City Ordinance. By September 28, the Board of Equalization must submit to the City Council and the Trustees of the A.I.S.D. a certified tax roll. Usually, on the last Thursday in September they will adopt the rolls and set the tax rate.

- (e) Taxes become due on October 1.
- (f) Taxes are delinquent after January 31. Taxes must be delinquent one month before penalty and interest may be charged.
- (g) Penalty on unpaid taxes is at the rate of  $\frac{1}{2}\%$  per month, until it reaches 5% or 10 months and then stops. Interest goes on at the rate of  $\frac{1}{2}\%$  per month, until the taxes are paid.

Mr. Klitgaard then showed a sample of the notice, stating that the bill requirement and the notice requirement are both incorporated on the new Education Code, which was passed by the 65th Session of the last Legislature. All the information required by the new law will be contained in this notice. For the first time, people who pay their taxes thru a mortgage company will now get a copy of their tax bills.

Mr. Klitgaard completed his presentation which was briefly interrupted because of problems with his voice. During the period of time Mr. Klitgaard was resting his voice, MR. JOE K. WELLS, Vice-Chairperson of the Board of Equalization, made the following presentation:

Mr. Wells stated that the Board of Equalization is the beginning of the appellate process that a tax payer has from the action that is taken by the Tax Department. He further stated that the Tax Board is merely the beginning - that there are further steps that one may take. Next, the appellate process goes to the City Council and finally, the District Court.

Mr. Wells suggested that before a citizen files a formal appeal they should go to the Tax Department for an administrative review.

The principal job of the Board of Equalization, as Mr. Wells sees it, is to view those cases which are brought to them and determine whether or not the Tax Department has applied the rules required by Constitution and State Law, as well as City Ordinances, in the assessing of property.

Mr. Wells further stated that there are other processes that are open to tax payers, one of which is thru the Legislature. He noted that the legislature makes the rules which the Tax Department and the Board of Equalization have to follow. He further suggested that a citizen talk to the School Board about the rate that it plans to apply to the tax evaluation.

Mr. Wells suggested that another process available to some citizens is the Homestead Exemption. Senior citizens and disabled veterans are allowed exemptions.

He said that appeals should be made by August 7, although if time permits, appeals might be accepted after that date. He said that citizens wishing to make an appeal will be given an opportunity to present any information which would cause a change in the determination which has been made by the Tax Department. He said that citizens should keep in mind that equality and uniformity, as nearly as they can be determined, is the rule.

Mr. Wells noted that the Board of Equalization is not there to give tax relief. Changes will be made where changes are indicated, by virtue of information submitted that was not submitted originally and which would cause a change in the assessment.

After Mr. Klitgaard and Mr. Wells gave their presentations, Mayor McClellan called on the first citizen who had signed up to speak in the Public Hearing.

RICHARD DODGE - Mr. Dodge spoke to the Council in regard to percentage increase, particularly that which involves duplexes versus single family dwellings. Mr. Klitgaard called Mr. Dodge's attention to the value of the property, as it is selling in the market place. Mr. Dodge stated that his main concern is that the inflated value of property be equitably distributed among property owners.

JERRY BUTTREY - Mr. Buttrey spoke regarding the disparities in tax assessments, such as those related to property improvements. He was critical of City Personnel and further stated that there was no equality in the assessments of his neighborhood.

FOE A. LAWRENCE - Mr. Lawrence spoke regarding the older sections of the city and the fact that they are not receiving adequate class distinction. He said that taxes have increased by approximately 65% in these areas, whereas, the taxes in the rest of the city have increased by approximately 25-30%. He said that the houses in Montopolis, Govalle and similar areas are in worse shape than those in other sections of the city; but, they are paying higher taxes, because the tax people only have time to look at the outside of the houses. Mr. Lawrence appealed to the Council to take our tax budget for last year and our new tax roll, as well as the new property that has gone on the tax roll, and figure what our tax would be if the Council used last years budget.

LYLE HAMNER - Mr. Hamner told the Council that he was speaking for the older citizens of Austin who have purchased homes not for resale value, but to live in. He asked the Council how retired persons on fixed low incomes ever be expected to pay the ever increasing taxes. Mr. Hamner suggested that the City freeze the taxes on homes belonging to citizens 65 and older.

CHARLES NICHOLS - passed.

L.G. SCHROEDER - Mr. Schroeder said that the other citizens had already expressed his sentiments. He did want to ask one question, however - does he have to pay the taxes in accordance with those paid by large investors who have converted old homes in his neighborhood into apartments?

C.C. COOKE - Mr. Cooke said that property in the City is overpriced and that many people who purchased property in 1974 have had to turn it back, because they couldn't afford to pay for it. He asked the Council if, in the event of a depression, would they refund the money based on the 1978 assessments. He said that the City has caused inflation because of its requirements.

LOUIS HIRSHFIELD - Mr. Hirshfield complained that the sequence of considerations regarding taxes is in the wrong order - (a) tax evaluation, (b) appeal the evaluation and (c) tax statement, or tax rate. He said that there are sliding factors regarding taxes and that in order to make an intelligent judgement, both must be considered simultaneously.

Mayor McClellan replied to Mr. Hirshfield that he would have an opportunity to express his sentiments regarding the tax rate as set by the City Council. She also said that "If there was ever a need for a significant reduction in the tax rate, now is the time."

LESTER KITCHENS - Mr. Kitchens said that it seems to him that the owners of older homes are being charged the same price per square foot as the owners of homes in Northwest Austin.

OWEN HAGER - Mr. Hager noted that he was an investor who owns two old duplexes but could not pass on his "141%" increase to his renters.

E.W. HUNT - Mr. Hunt asked the Council what kind of justification could they give for the terrific increase of tax evaluation in his neighborhood. He said the citizens are putting in more and getting out less all the time. "Are you doing this to reimburse Brown and Root?"

Mayor McClellan replied to Mr. Hunt regarding electric rates - "We are in the midst of summer electric rates...on a yearly basis, for the residential rate payer, those rates are going to be 9-10% less than last year; but, nobody believes it right now in peak summer time. Beginning in October, we'll go back to the winter rates which will be some 30% less than last year's."

Jack Klitgaard spoke to the issue of substantial increases in tax evaluation in a short period of time - "There is no way we can make these percentage increases meaningful, as far as the tasks that have to be performed. We explained to you what has happened to us in this realm of depreciation of these older homes. We've seen these ourselves. We knew it was coming long before the notices were mailed out and we have informed the City Managers office and the Board of Equalization, as long ago as 1976 that we expected this kind of problem. The fact that we have a property too low in value for a certain period of time, until the machinery can be put to work to correct a discrepancy of this kind, is not an excuse to continue the discrepancy forever. Or to say it in another way - if the older homes are too low in value, in relation to property generally in the district, and you limit a percentage of increase, you'll forever have those properties lower than the other taxpayers who are being taxed on newer homes; and, it's contrary to the Constitution of the State of Texas."

Mayor McClellan replied that the citizens may be well aware of the fact that some property has been under-valued, but that unfortunately there has not been an income increase to handle the astronomical increase in tax evaluation in the same two year period.

MIKE LEIT - Are evaluations being raised to lower the tax rate or is the tax rate going to remain the same and the evaluation rise?

Mayor McClellan replied, "If the valuations rise and the tax rate remains the same, you'll find us all somewhere else."

Mr. Leit further stated that it seems to him that land values increase at a normal rate, while improvements increase at an astronomical rate.

Mr. Klitgaard replied that the property was under-valued in 1976, not intentionally, but it was under-valued.

Mr. Leit inquired as to whether the people in Northwest Hills were reflecting the same increase as those in the lower income areas.

Mr. Klitgaard replied that they did not increase as much, percentage wise. However, two years ago there were others complaining that the lower income areas had not increased as much as some of theirs.

DAVID BLAND - Mr. Bland stated that "the people" are being discriminated against and they are the "backbone" of the government.

BEAN TILTOR, EDITH NELSON, GEORGIA MYERS and LUCILLE HUNTER passed.

BETTY PHILLIPS - Ms. Phillips spoke on behalf of the SAVE University Neighborhood Association. She stated that she was at first concerned for all the older neighborhoods; then she found that they were undertaxed in relation to other areas of town. She focused her attention to older homes which have been well maintained, although located close to commercial properties. She said that the homes in these areas are over-taxed, while the commercial and high density areas are under taxed. Ms. Phillips appealed to Mr. Klitgaard to make a study of the residential versus commercial land values in her neighborhood.

JIM BOARDMAN - Mr. Boardman asked the Council if he pushed his "shotgun" house which was valued at \$13,000 down the hill, could he then just pay taxes on the property. He wanted to know if the people who evaluated his house were from Texas, because he sure wouldn't want anyone who didn't know what they were doing evaluating his house!

H.E. MCKINNEY - passed.

ROY MOORE - He said that we are all dismayed at the increase in valuation and the implied impact that will have on our City taxes. He asked the City Council to review the budget for "fat". He suggested that the Council reduce the population of city owned vehicles on MoPac every morning. He asked that the Council make a corresponding cut, so that the impact does not invoke the revolt that is sure to happen.

ROBERT HALE - Mr. Hale said that you can't fight a depression with inflation. He asked the Council if the increase was really necessary.

Mayor McClellan responded by saying that in reality, the present City Council reduced the tax rate by \$.03 last year and that they certainly recognized their responsibility.

Council Goodman suggested that Mr. Hale fight inflation by "living with a friend."

RIDHARD GROTE - Mr. Grote said that the Tax Equalization Board has never given him any satisfaction. He asked where the tax monies were going to support that college.

Mayor McClellan replied that ACC has no base and is not supported by tax monies, but rather by other sources of revenue.

Mr. Mullen said that if corporations never sold their properties, there would never be an increase in taxes and the homeowners who own the property would not be coming in.

A.A. ENGRSTROM - Mr. Engstrom said that the Board of Equalization won't do anything. They will simply meet the legal qualifications that require a hearing.

Councilmember Goodman said that no one should go before the Board of Equalization with a defeated attitude. He said that a good percentage of the cases which were appealed in 1976 were adjusted and that a citizen can win!

Mayor McClellan stated that the Board of Equalization has just been appointed by the Council and that it is composed by ordinary citizens who are willing to give their time and serve.

BEN PARHAN-- Mr. Parhan said that the people are about ready to revolt. Mr. Parhan asked why doesn't anybody say anything about cutting costs.

Mayor McClellan acknowledged that cuts must be made in the budget and suggested again that Mr. Parhan and other citizens attend the budget hearing and make suggestions where cuts can be made.

Councilmember Mullen pointed out to Mr. Parhan that he and Mr. Cooke had requested a 95% budget. He stated that he hoped the citizens remembered the request for a 5% tax cut, as well as those who will be cut.

BESS PEARCE - Mrs. Pearce spoke to the Council regarding the effect of high taxes on senior citizens.

ROSE MARIE SWARTZER - Mrs. Swartzler appealed to the Council to take into consideration the effect of higher taxes on the working class. She has made few improvements and yet the value of her house supposedly has increased to double its original amount. In 1976, she went before the Board of Equalization where she felt that she was ridiculed and made to feel two inches tall.

ROBERT THORNTON - Mr. Thornton spoke to the issue of inequitable evaluations. He asked the Council if the evaluation statement that they recently received reflected that it was equal or above 100% of the market value of the homes in their neighborhoods. Mr. Thornton asked Mr. Klitgaard if the Constitution requires that the houses be assessed at market value. He also asked, "Do they appraise the houses at market value?"

Mr. Klitgaard responded, "We have two years to get a job done. These values have to be generated and posted to our records over a period of time of two years. We know that market is changing every day. When we get to the end of the two year cycle...what we're saying to you is that the values are conservative. It's unavoidable. When I start work at the end of 1976, I can't tell you what the market is January 1, 1978."

Mr. Thornton replied that the only answer is Proposition 13, or in this state it should be Proposition 1.

RICHARD CRONA - Mr. Crona said that he is paying taxes on an alley way which the City can't pave and which he can't close. He inquired as to whether the City of Austin has a lobbyist before the legislature to get some off-setting funds for Austin for their untaxed property.

Mayor McClellan replied that the Council unanimously agrees that we would like to seek some reimbursement for services rendered to those non-taxable properties - some of payment in lieu of taxes.

WOOD HALL - Mr. Hall asked the Council if the taxes have to be re-evaluated every two years.

Mr. Klitgaard replied that the policy of two year evaluations was established by the previous Council.

Mayor McClellan replied that when the taxes were re-evaluated every four years, the citizens were not very happy. She said that it would have a staggering impact, as the property would still have to be assessed at market value.

MR. WOOD inquired as to whether there is any reason why this Council couldn't put a "hold on" the next two years and try to reduce the evaluation, along with the taxes.

Mr. Klitgaard replied that a City Council cannot tell a tax assessor what value to put on property. The value is fully controlled and described by Constitutional and Statutory Law. The Council can fix policies like cycle maintaining values.

An unidentified gentleman addressed the Council stating that no where has he seen in the law where the City Council can't set the rate and the amount that is assessed. He said that it is time to lower the 75% rate.

CLIFF BONNER - Mr. Bonner asked if the tax department has a quota. He also asked what the variables are that the tax department uses in arriving at their appraisals. Are the variables in use by all the people and is the City Council aware of what the variables are? He asked if the Council is not aware of the variables, shouldn't they be? Can the public know what the variables are? How can they know?

Mr. Klitgaard replied that there are no quotas. He also replied that there are many schedules of variables and that the Council is not aware of them. He also told Mr. Bonner that his office would be happy to show him all the schedules, if he should like to come to the tax office.

MR. JOE K. WELLS, member of the Board of Equalization, said that he refused to be put on the defensive but he did want to set the record straight on two issues: (1) persons coming before the board will not be confronted with "cute questions" and (2) they will be treated in a courteous manner.

JAY JOHNSON - Mr. Johnson appealed to the Council to give the City strong leadership. He said that eventually the Council would come up with a bond issue, depending on when they are "gutsy" enough.

MARK LETT - Mr. Lett appealed to the Council to stay with the 95% budget which they have asked for and not to increase any areas.

Mayor McClellan replied that the Council would necessarily decrease some areas, in order to increase other areas, such as the Police Department.

NEIL MCGAW - Mr. McGaw made four points: (1) perhaps we should return to the four year system of evaluation, (2) the standard question, "Would you sell your house for that?" has no validity, if the houses are assessed at less than 100%, (3) is there an unfair share by the old and poor and (4) the burden of proof is thrown on the shoulders of the taxpayer. He suggested that the Council consider a system of changing the procedure by which the Board of Equalization works and changing the system by which the assessments are made, so that the gap between the low and the high percentages can be narrowed. He further suggested that some provisions for a retroactive pay back for those being penalized at this time be considered.

O.D. DAVIS - Reverend Davis said that the Council was elected "not to be our enemies, but to be our friends." He complained that his own property should have actually decreased in value, rather than to have increased.

LAVON ROGERS - Mrs. Rogers said that she and her husband own rent property and have been "under renting" for several years. She said that because of high taxes she sees no way that they can continue at their present rental fee. She made a plea for the middle class, middle aged Austinite.

HAL LAWSON - Mr. Lawson suggested to the Council that they do something to reduce the taxes, before the problem is unmanageable.

BILL ROBERTSON - Mr. Robertson, a student, said that the older persons on a fixed income had paid their due and he felt that it would be fair to give them a greater homestead exemption.

Councilmember Goodman agreed with Mr. Lawson and thanked him for his comments.

TECH ABELINE - Ms. Abeline appealed to the Council for a reduction in taxes for persons living in one place for a long period of time.

LEWIS WATSON - Mr. Watson asked how the younger working people who are trying to buy houses can be expected to pay their taxes.

Mayor McClellan replied that it is incumbent on the Council to give a significant tax reduction to persons from all walks of life.

One unidentified gentleman said that with one exception, he had always been treated with the greatest of courtesy from the tax department and wanted to thank the department for performing a "thankless job" well.

MR. JERRY BUTTREY addressed Councilman Mullen's comment on large corporation taxes.

Councilmember Mullen said that he is worried about the homeowners, not the corporations; if we freeze taxes until the property is sold, large corporations won't have to pay taxes while homeowners will have their taxes raised

to offset the taxes frozen for the corporations.

Mr. Buttrey asked why it is not possible to freeze the homeowners and tax the large corporations. He said that he was concerned that Council is favoring business interests.

Councilmember Mullen said that Mr. Buttrey has totally turned his statement around - that he favors the homeowner, not the big businesses.

Mr. Buttrey stood corrected. Mr. Buttrey further stated that the Council needs to consider the systems operating the City and the staff that mans those systems.

MR. JOE CROW complimented the Council, as did Mr. Lyle Hamner.

Mr. Louis Hirshfield thanked the Council, the Board of Equalization and the appraisal office for a good job. He further stated that "a man's home is sacred" and that it was his desire that every homeowner, regardless of age, would receive a homestead exemption.

Mayor McClellan thanked the staff for their contributions and then thanked the citizens for sharing their sentiments.

ADJOURN: 11:00 P.M.

APPROVED

Carole Keeton McClellan  
Mayor

ATTEST:

Grace Monroe  
City Clerk